OVERVIEW:
RE reported 3Q21 net loss of $73m or $1.88 per share. YTD net income was $948m or $23.72 per share.
CORPORATE PARTICIPANTS

James A. Williamson Everest Re Group, Ltd. - Executive VP, Group COO & Head of Reinsurance Division
Jon Levenson Everest Re Group, Ltd. - Head of IR
Juan Carlos Andrade Everest Re Group, Ltd. - President, CEO & Director
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Brian Robert Meredith UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist
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PRESENTATION

Operator

Welcome to the Everest Re Group Earnings Conference Call. (Operator Instructions) I would now like to turn the call over to Jon Levenson, Head of Investor Relations. Please go ahead, sir.

Jon Levenson - Everest Re Group, Ltd. - Head of IR

Good morning, and welcome to the Everest Re Group Limited 2021 Third Quarter Earnings Conference Call. The Everest executives leading today’s call are Juan Andrade, President and Chief Executive Officer; Mark Kociancic, Executive Vice President and Chief Financial Officer. We are also joined by other members of the Everest management team.

Before we begin, I will preface the comments on today’s call by noting that Everest’s SEC filings include extensive disclosures with respect to forward-looking statements. Management comments regarding estimates, projections and similar are subject to the risks, uncertainties and assumptions as noted in these filings. Management may also refer to certain non-GAAP financial measures. These items are reconciled in our earnings release and financial supplement.

With that, I turn the call over to Juan Andrade.

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Thank you, Jon, and good morning, everyone. Thank you for joining us today. During the third quarter, Everest continued to make progress towards the strategic plan objectives detailed in the June Investor Day presentation. We achieved outstanding top line growth across both our insurance and reinsurance businesses, continued to improve underlying profitability for our insurance segment, continued diversification of our reinsurance franchise, demonstrated strong expense discipline, delivered excellent investment income results, opportunistically reduced our cost of capital and returned capital to our shareholders. We continued to execute our plans regardless of the external environment. Before I get into the results,
I want to first acknowledge the human cost of the catastrophes in the quarter. For those people whose lives have been affected around the world by the wind, fire, flood and earthquake experienced in the quarter, these are life-changing events, and this is always top of mind for us at Everest.

As insurers and reinsurers, we are here as these communities work to rebuild, recover and hopefully emerge even stronger. And for Everest, this is when our ability to execute really matters. Turning to the results for the third quarter. The strength and resilience of our fundamentals continues to prove our strategy is working and our execution is on pace. As we shared during the June Investor Day, we measure our success against the 3-year strategic plan with a simple goal: create value and drive meaningful shareholder returns over time.

This starts by ensuring that our reinsurance and insurance businesses supported by our investment portfolio are doing exactly what we said they would do, drive forward momentum to fuel profitable growth.

At our core, Everest is a growth company, focused on sustained profitability with a well-diversified earnings stream. Beginning with our Insurance division, which delivered record high quarterly top line growth, marking the second consecutive quarter of over $1 billion in gross written premium and the lowest attritional combined ratio to date. We continue to prove our relevance in the market and our ability to execute. There’s significant runway ahead of us to grow profitably, and we’re capitalizing on it.

We’re well on our way to growing into the world-class specialty global insurer we’ve set out to be. Reinsurance delivered double-digit growth, and we continued to further diversify our book across lines and geographies around the world, a key part of our disciplined strategy to reduce volatility. This discipline was evident in the previously announced third quarter pretax net catastrophe losses of $635 million from Hurricane Ida and the July European floods, events totaling over $40 billion in industry insured losses.

Everest does not immune to the cat losses, but the cumulative, deliberate and purposeful actions we have taken to reduce volatility have changed our company’s risk profile.

We have taken a disciplined approach to diversifying our book and reducing reliance on a single peak cat zone. For example, we have reduced our PMLs for Southeast wind to almost half of what they were in 2017 from 11% to 5.9% of equity. We have scaled back our total property cat XOL premium, which comprises 17% of our total reinsurance premium today versus 26% at the end of 2017.

Our book is better positioned and less volatile today than it was 2 years ago. We will continue to thoughtfully manage our risk profile to maximize returns.

Turning to investments. Performance here was excellent. We continued to optimize our portfolio and its earnings power as a key diversifier of our earnings. Prudent capital management is another important part of our strategy. Just after quarter end, we completed an opportunistic $1 billion debt raise at a 3.125 coupon. This is very efficient long-term capital. In addition, we continue to opportunistically repurchase shares throughout the quarter for a total of $200 million year-to-date.

If the engines of our strategy, our core underwriting platforms supported by our investment portfolio, our transformation efforts focused on operational excellence and underwriting discipline are the fuel for those engines. During a quarter when the industry sustained meaningful losses from catastrophes, this discipline made a material difference in our financial outcome. It is about commitment to consistent execution and building a company for the long term.

Throughout the third quarter, we saw the benefit of this commitment manifest in several ways. We continue to prove we can play offense in a favorable market to pivot and respond to changing market conditions. We’re executing on a value proposition that continues to be well received by our customer and broker partners. We have the talent and capabilities to deepen distribution relationships and diversify our presence in key markets around the world. We have established our purpose-driven culture as a differentiator. We also see it in the top industry talent who have joined the Everest and who viewed the company as a great environment for development and opportunity.

With that, let’s dive into more detail around our results this quarter at the group and segment level. Beginning with our group results. Growth in the third quarter continued to be strong and diversified across both of our businesses. We grew gross written premiums by 25%, a barometer of
our market relevance. The increase in premiums was a product of our ability to capitalize on improving economic conditions, driving exposure growth and new business opportunities, the favorable double-digit rate environment and high renewal retention.

The combined ratio of 112 includes $635 million of pretax net catastrophe losses from Hurricane Ida and the European floods during the quarter. The group attritional combined ratio of 87.9 reflects strong underlying profitability in insurance and our continued diversification in reinsurance, coupled with ongoing prudence in loss pick selection. Catastrophe losses during the third quarter resulted in an underwriting loss of $323 million. Net investment income for the quarter was again outstanding, up 25% to $293 million, and the expense ratio also improved this quarter.

The meaningful progress this quarter is not a sprint, it’s about consistency day by day, quarter by quarter, being thoughtful and strategic about developing the portfolio, prudently managing expenses and pursuing overall operational excellence. These actions all add up. The cumulative effect is evident in our year-to-date results and a few are worth highlighting now. Year-to-date gross written premiums are up 24%. Our businesses continued to drive strong growth and momentum. We generated close to $1 billion in net income year-to-date. This is a testament to the earnings power of the company.

Net investment income year-to-date has more than doubled from $420 million for the period last year to close to $1 billion today. Our expenses continued to improve and the group attritional combined ratio is also trending better year-to-date. Finally, for the 9 months year-to-date, annualized total shareholder return on equity is over 13%.

With that, I’d like to turn to the results in our reinsurance business. We had another excellent growth quarter in our Reinsurance division with gross written premiums up 19%. We strengthened the franchise through underwriting actions to create a more diversified, resilient and lower volatility business. The growth was broad and diversified.

Every geography and targeted line saw continued expansion in the quarter. The combined ratio of 115 includes the impact of third quarter pretax net catastrophe losses of $555 million from Hurricane Ida and the European floods. Our focused actions to derisk our portfolio are reflected in these results. The share of our book exposed to cat losses has declined. Diversification is key because the severity and frequency of these events are a reality. We see the impact of climate change in our data, and we take a proactive and scientific approach to how we model and underwrite for it. Our dedicated team of experts continuously assess the signs and integrate its effect on loss cost into our models. This focus will continue to be a key part of our strategy.

Our attritional combined ratio for the quarter was 87%, including an attritional loss ratio of 60. Our attritional loss pick reflects our deliberate and targeted shaping of our portfolio to maximize results. This includes a higher mix of pro rata structures and an improved balance of property and casualty exposures. These underwriting actions positioned Everest to benefit from the underlying rate increases and improving terms and conditions achieved by our core cedents in the primary market.

Combined with continued prudent loss picks, this results in a relatively higher attritional loss ratio but with better long-term risk-adjusted returns on capital. As you know, the primary market has benefited from multiple quarters of strong rate improvement, a reduction in limits and the strengthening of terms and conditions. Our strategy of focusing growth on core trading partners means we’re benefiting from these effects alongside some of the industry’s best underwriters, and we expect strong portfolio economics to emerge.

Risk-adjusted return expectations are improving in every line, in every geography. At the same time, we remain vigilant regarding market trends, including climate change, supply constraints and social and material inflation. As a result, we continue to hold prudent loss picks. Finally, Mt. Logan continues to be an important part of our strategy, and we are thrilled to have brought in John Modin as its new leader. Jim Williamson is available to provide additional details during the Q&A.

Now for our Insurance division. Performance continued to be strong with exceptional growth in expanding underlying margins. In the third quarter, we wrote over $1 billion in gross written premium for the second quarter in a row and achieved the highest quarterly growth rate to date at 43%. The growth in Insurance was fueled by a few factors: Number one, we continue to seize opportunities from increasingly favorable economic conditions. Second, we continue to grow through new business and demonstrate our relevance to customers and brokers. Third, we’re benefiting
from strong retention rates. This coupled with continued favorable, double-digit rate increases is creating the kind of opportunity Everest was built for and that we're poised to capitalize on.

We maintain a strong focus on portfolio management as an important part of our strategy and driver of long-term profitability. We continue to proactively position the company to play offense and react nimbly to market conditions by driving our business mix stores product lines with better rate adequacy and higher long-term margins.

Renewal rate increases continued to exceed our expectations for loss trend, up 12% in the quarter, excluding workers' compensation, and up 8%, including workers' compensation, which now represents 12% of our overall portfolio with monoline comp down to only 7%. Rate increases were led by excess casualty, up 17%; and financial lines, up 14%. I've said it before, those who execute best in this business win and the quality of growth in Insurance and our focused discipline comes down to simply excellent execution.

During the third quarter, we expanded attritional underwriting margins with improvements in loss and expense ratios. This includes a 2 percentage point improvement in our attritional loss ratio of 62.9% and an improvement to 14 in the operating expense ratio. This resulted in the division's lowest attritional combined ratio to date at 90.3, an almost 4-point improvement over the same period last year.

The underwriting loss of $17.2 million in the quarter was a result of the impact of pretax net catastrophe losses, including $80 million for Hurricane Ida. However, the year-to-date underwriting profitability shows the indicative strength of our portfolio and ability to execute.

We have a long runway in front of us, and we're investing in the talent, the systems and our worldwide capabilities to make us better, more efficient and more relevant in the market. Mike Karmilowicz is available to provide additional details during the Q&A. Reflecting on the progress we made against our long-term objectives, it is evident we're working with the right formula for success.

Everest management team has the level of focus, deep expertise, an entrepreneurial approach to take us on our path forward and bring this even further. I am proud of the work we're doing, building on a strong inclusive culture that is constantly delivering for our clients and for our partners, pushing the envelope in digital innovation and our commitments as good corporate citizens. The opportunities are there, and Everest is well positioned to seize them.

Now I will turn it over to Mark Kociancic to take us through the numbers in more detail. Mark?

Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO

Thank you, Juan, and good morning, everyone. Everest continued to make excellent progress executing its strategic plan and remains well on track to achieve its objectives. I'll discuss these topics in a few minutes, but first, a recap of the third quarter results. For the third quarter of 2021, Everest reported gross written premium of $3.5 billion, representing 25.3% growth over the same quarter a year ago. By segment, Reinsurance grew 19.2% to $2.5 billion and Insurance once again reported gross written premium of $1 billion in the quarter, representing 43.2% year-over-year growth.

Year-to-date, the group's gross written premium was $9.6 billion, up 24.4% compared with the $7.7 billion figure from the first 9 months of 2020. Turning to net income. Net income results for the quarter were impacted by the global cat events seen worldwide, particularly Hurricane Ida in the U.S. and European flooding in Germany and Belgium. As a result, for the third quarter, Everest reported a net loss of $73 million and a net operating loss of $53 million, equal to negative $1.88 and negative $1.34 per share, respectively.

For the 9 months ended September 30, Everest reported net income of $948 million and operating income of $795 million, equal to $23.72 and $19.87 per common share, respectively. Everest reported $635 million in net catastrophe losses during the quarter, as detailed in our October 14 earnings press release. The manageable losses from these events are strong evidence of the material derisking of the portfolio over the past few years, that Jon described and as evidenced by our reduced PMLs.

Importantly, these results were well within Everest's expectations from events of this magnitude and within our risk appetite. We also note that there is no prior period development in the cat losses this quarter. All are current accident quarter events. Beyond Ida and the European floods,
there were a number of smaller events, which did not breach the Everest cat event threshold of $10 million per event. Our practice for reserving for these smaller events is to include them in our attritional loss ratio estimates. And as such, these events did not materially impact our Q3 attritional loss ratio selections. I also note we have not added to our COVID-19 incurred loss provision, which remains at $511 million, with the vast majority remaining as IBNR.

Third quarter results continue to reflect the impact of our underwriting and portfolio management initiatives for the group. Our underlying attritional profitability remained strong during the third quarter. Excluding the catastrophe losses, reinstatement premiums, prior year development and COVID-19 pandemic impact, the attritional loss ratio for the group was 60.9% in the third quarter of 2021 compared with 59.3% in the third quarter of 2020. The year-to-date attritional loss ratio for the group was 60.6% compared with 60.2% a year ago, reflecting our overall mix of business shift to longer tail casualty lines.

The attritional combined ratio for the group was 87.9% for the third quarter compared to 85.8% for the third quarter of 2020. And year-to-date, the attritional combined ratio for the group was 87.6% compared with 88% a year ago as commission and expense ratio improvements offset the attritional loss ratio movement.

For insurance, the attritional loss ratio improved 1.9 percentage points in the third quarter to 62.9% compared with 64.8% in 2020. The attritional combined ratio for insurance improved 3.9 points during Q3 to 90.3% as compared to 94.2% over the same period a year ago, given the favorable attritional loss ratio improvement and the reduced expense ratio. Our U.S. Insurance business, which makes up the majority of the book continues to run very well with an attritional combined ratio in the high 80s. Turning to Reinsurance. Attritional losses in the Reinsurance segment were largely driven by changes to the mix of business, notably proportionately more casualty premium plus 4.8% year-over-year. As a result, the third quarter 2021 attritional loss ratio was 60.2% compared with 57.5% a year ago, and the attritional combined ratio for Reinsurance was 87.1% compared with 83% for the third quarter of 2020.

The group's commission ratio of 21.2% for the third quarter was up 1 percentage point from 20.2% reported in Q3 2020, largely due to changes in the composition of our business mix with more pro rata property and casualty business, which has a higher commission ratio versus excess of loss. The group expense ratio was exceptional at 5.3% for the quarter and down a full point as compared with 6.3% a year ago. The expense ratio continues to benefit from our continued focus on expense management and the benefits of increased scale and efficiency from our operating model.

For the third quarter, investment income once again produced an exceptional result of $293 million as compared to $234 million for Q3 2020. Alternative investments accounted for $170 million of income during the third quarter, largely due to increases in the reported net asset values of our diversified limited partnership investments, driven by the continued economic and financial markets recovery. As a reminder, Everest reports limited partnership income 1 quarter in arrears. So the current quarter results are based on the valuations as of June 30. Invested assets at the end of the third quarter totaled $27.8 billion compared with $27.1 billion at the end of the second quarter of 2021 and $25.5 billion at year-end 2020. Approximately 78% of our invested assets are comprised of a well-diversified, high credit quality bond portfolio with a duration of 3.3 years.

The remaining investments are allocated to equities and other invested assets, which include private equity investments, cash and short-term investments. Our effective taxes on net income and operating income for the third quarter of 2021 were negative 16.2% and negative 21.4%, respectively. The variance from our estimated tax rate of 11% for the year was largely due to the geographic distribution of income impacted this quarter by the catastrophe losses, which were primarily underwritten on our U.S. domiciled entities. For the first 9 months of 2021, Everest generated $2.8 billion in operating cash flow compared to $2.2 billion for the first 9 months of 2020, reflecting the strength of our premium growth year-over-year. And we also note that operating cash flow for the quarter was a record at approximately $1.2 billion. The Everest balance sheet remains exceptionally strong with ample capacity to continue to execute on market opportunities. Shareholders' equity was just under $10 billion at the end of the third quarter compared with $9.7 billion at year-end 2020.

Our attractiveness as a counterparty was endorsed by the markets as evidenced by the debt raise in early October. Everest issued $1 billion of 31-year senior notes at a very attractive coupon of 3.125 lowering our cost of capital over the long term. With this additional capital, Everest's pro forma financial leverage at the end of Q3 is just above 20%, in line with our long-term target of 15% to 20%, and we will manage our leverage within this range as we continue to optimize our capital structure through the course of the strategic plan.
And as with the offering from last year, we will deploy the proceeds into the business given the organic growth opportunities highlighted in our strategic plan and the current favorable underwriting environment. Everest repurchased 625,000 shares in the quarter for a total of $160 million. And year-to-date, the numbers are 791,000 shares and $200 million. Quarter end book value per share was $253.40 compared with $260.32 at the end of the second quarter, resulting from $100 million in the change in unrealized gains and losses on the fixed income portfolio, driven by changes in interest rates plus the quarterly net income result.

And I want to close with an update on our progress towards the Everest total return or TSR target as detailed during our Investor Day. Through the third quarter of 2021, the TSR stands at 13.2% annualized on track to meet the 3-year TSR target of at least 13%. The fundamentals of our long-term value creation plan remains strong based on the diversified set of earnings streams. Reinsurance, Insurance and investments, along with an efficient capital structure, we affirm our strategic plan assumptions and TSR target over the 3-year time frame as detailed in our June Investor Day.

And with that, I'll now turn it back to Juan.

**Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director**

Thanks, Mark. Operator, we are now ready to open the line for questions. We do ask that you please limit your questions to 2 or 1 question plus 1 follow-up, and then rejoin the queue if you have any remaining questions.

**Q U E S T I O N S  A N D  A N S W E R S**

**Operator**

(Operator Instructions) And your first question is from Elyse Greenspan with Wells Fargo.

**Elyse Beth Greenspan - Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst**

My first question is on capital. So we saw your capital return on buybacks pick up in the quarter. Can you just give us a sense of how we should think about repurchase is from here? And is that depending upon how market conditions evolve over the course of the next year? And then tying into that answer, can you just give us some commentary on potential M&A would fit into any capital return decisions that you guys are making?

**Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO**

Thanks, Elyse. It's Mark speaking. So we did have a pretty meaningful share buyback this quarter. That's pretty much par for the course given where we are with our strategic plan and the very strong growth assumptions that you see there, not much has changed. We're simply privileging organic growth as we develop our franchise with our capital. We see very good conditions in the market in both Reinsurance and Insurance. But the capital management side is something we can do alongside that expansion. And so you'll continue to see share buybacks consistent with what we've done in the past moving forward as time moves on. Regarding the M&A?

**Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director**

Yes. So let me address that, Elyse, and this is Juan Andrade. Look, as I've said publicly before, M&A is certainly part of our toolkit. Now we prefer to build our businesses organically. And we see great opportunities in the market right now to be able to do that as evidenced by the growth rates that we have posted not only this quarter but really on a year-to-date basis. But it is something that we look at. And if we find the right opportunity to advance our agenda and advance our business, we will certainly take a look at that. But our strategy remains primarily focused on growing our business organically.
Elyse Beth Greenspan - Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst

Okay. And then my second question, on a written and earned basis in Insurance, what's the gap versus loss trend right now? How much more the booking of season before you would take down your loss picks?

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes. Elyse, this is Juan again. So look, I would say that we continue to see very strong double-digit rate momentum, as we quoted in my remarks, plus 12 for the quarter. And essentially, every line of business right now with the exception of workers’ comp is ahead of trend. And it has been for a number of quarters at this point in time. So we expect that to continue. The way we look at our reserving And again, I think I've been pretty consistent about this since I started as a CEO here almost 2 years ago is we're very disciplined.

As I mentioned in my remarks, we are also cognizant of the external environment whether it's social inflation, climate change, CPI-type inflation and everything that's out there right now. So we do prefer to let things seasoned over time before we take action and bring that down. However, you also saw in the insurance numbers this quarter, the improvement that we made in the loss ratio. And again, this is consecutive to prior quarters as well. And I would point the fact to, again, statements I've made in the past that it's not only about rate, it's about all the management actions day-to-day in the portfolio. How we look at individual books of business, how we shape that portfolio, how we manage that. How we focus our attention, our execution on lines of business that we believe have a higher potential for long-term margins. So all of that is built into that. And essentially, that is what you see reflected in the improvement in the loss ratio on an underlying basis for the Insurance division.

Operator

Your next question is from Mike Zaremski with Wolfe Research.

Michael David Zaremski - Wolfe Research, LLC - Research Analyst

Great. Good morning. Maybe on the Reinsurance segment first, please. Thanks for the commentary about the change in business mix. So I guess I just wanted to be clear, if we should be factoring in this kind of changing business mix in our go forward in terms of kind of the higher attritional on some of the business you're putting on? It sounds like that's the read-through from the good commentary on the call so far.

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes. Thanks, Mike. And again, this is Juan Andrade. Let me start, and then I'll ask Jim Williamson to add some color. To reiterate some of what I said in my prepared remarks, what you see happening in the reinsurance attritional ratio this quarter -- loss ratio this quarter is really the result of deliberate actions that we're taking, right? And those are deliberate actions to accomplish really 3 things: Number one is to fully benefit from the strong market that we're seeing. We're seeing rates in long tail lines to be up, terms and conditions to have been improved, limits to have been shortened.

And so as a result of that, we're growing in our pro rata structures in casualty alongside some of the best underwriters in the primary market. You see it in the supplement. Our casualty pro rata business was up 63% for the quarter. So that's indicative of how we're playing off and taking advantage of these market conditions there.

The second thing for us that we're trying to accomplish is really this is part of our deliberate strategy to reduce volatility and diversify our book opportunistically in the lines of business that we believe can deliver strong risk-adjusted returns. That's the other part that you're seeing there right now. It's us purposely moving our book of business in a direction that we believe will give us long-term risk-adjusted returns on capital that are quite attractive.
And the third part of it, and this is related to the answer that I just gave to Elyse, again, as I've said from the beginning, we are a disciplined underwriting company, and we do maintain prudent loss picks in light of the external environment. So what you are seeing is that particularly the long tail lines will carry essentially higher loss picks than the short tail lines. And as we move that business over, this is the end result that you will see but with an outcome that we expect to return much better margins in the future while reducing the volatility of the company.

The bottom line is we feel very good about the portfolio that we're creating right now and the embedded margin that we're creating. And we also feel very good about this being able to achieve the targets that we laid out on Investor Day and that Mark just affirmed.

James A. Williamson - Everest Re Group, Ltd. - Executive VP, Group COO & Head of Reinsurance Division

Yes, Mike, this is Williamson. The only thing I would add to what Juan had said and really only to add some additional color is, we obviously are very close to our core cedents who are driving the really strong growth that we've had in areas like casualty pro rata. And when you unpack their results in terms of what they're seeing from a rate change perspective, their ability to reduce limit profiles to improve terms and conditions. These are not subtle changes. These will have a dramatic impact, obviously, on the quality of the book that we have today, and we're very excited about that. And our expectation is that those conditions will persist. And so we want to continue to partner with those core cedents as they move through this market.

But the last thing I would add, obviously, is we remain very flexible. And where we see good risk-adjusted returns, we're absolutely willing to shift our mix quarter-to-quarter, year-to-year, and we will retain that flexibility as we move forward.

Michael David Zaremski - Wolfe Research, LLC - Research Analyst

That's very helpful. Just one follow-up. So with this business, it sounds like it's going to result in the near term and obviously, I don't know just focusing the near term, but in a slightly higher attritional loss ratio. Is it more capital efficient to and that you can write more business versus the rest of the business? Or really should we just be thinking this is just better long-term business and eventually, it will probably come through over time in a better combined ratio in outer years?

James A. Williamson - Everest Re Group, Ltd. - Executive VP, Group COO & Head of Reinsurance Division

Yes, sure, Mike. This is Jim again. So look, it is something we keep a very close eye on. We have a very disciplined capital allocation process within the company. And for every line, we're continuously referencing back to how various lines of business consume capital and our return on those lines. But this is not about trying to maximize top line. It's not a strategy related to that. It's really about pursuing best risk-adjusted returns. And in the market environment that we're moving in, we see a lot of excellent opportunity in the casualty lines.

And so it's about the pursuit of good bottom line performance, about good consistent results, about achieving our long-term strategic ambitions and about managing the volatility of the group. Those are really the decision factors that are driving the growth that we're seeing in casualty.

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes, Mike, and I would just add to that. Look, this is part of when we talk about execution, this is a proof point. And this is exactly what we're talking about that we identify an opportunity. We identify a core group of cedents that are driving this forward in a very positive way, and we see the economic benefit that can result for the company by partnering up with them. This is how we're driving our business forward.
Michael David Zaremski - Wolfe Research, LLC - Research Analyst

Understood. Good color. And one last follow-up. Given the -- a lot of change in the business mix and some new management team members, I think historically, there's been more, it looks like true-ups on reserves in -- at the end of the year in 4Q. Is there -- is that something we should be thinking about? Is there some type of kind of seasonality we should be thinking about the back half of the year -- the back quarter of the year?

James A. Williamson - Everest Re Group, Ltd. - Executive VP, Group COO & Head of Reinsurance Division

Yes, Mike, this is Jim again. Thanks for the question. One of the things that we've talked about in the past is the work we're doing to continuously improve our approach to reserving. And one of the changes that we've made coming into this year is we've rebalanced our reserve study calendar to move away from having so much activity in the fourth quarter. And so year-to-date, we've completed about half of the number of reserve studies that we plan on completing for the year as we do every quarter. We're reviewing the results of those studies and we'll continue to do that. So it's absolutely something we're changing over time.

And I think you'll see us continue to make progress into next year to create a more balanced level of activity across quarters.

Operator

Your next question is from Mike Phillips with Morgan Stanley.

Michael Wayne Phillips - Morgan Stanley, Research Division - Equity Analyst

Juan, let me start first question on the ILS market. Anything you've seen there from fund managers in terms of just changing appetite to continue supply, given what's been a pretty tough last couple of years in sort of maybe last quarter.

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes. Thanks, Mike. Let me start, and then I'll ask Mark Kociancic to add his point of view as well. Look, I think definitely, what we're hearing from investors, particularly post Ida and post the floods in Europe is basically a bit of a concern about the catastrophe activity that's out there in the industry.

You have also seen the fact that some of that money has moved more towards the cat bond market and towards very much higher up in structures. And there's still appetite there. As a matter of fact, we saw a lot of capacity and attractive pricing, again, at the higher levels and at the higher attachment points, et cetera. But I think in general terms, I would say you probably are seeing a little bit of concern right now in the ILS market with some of these investors. But I would ask Mark to also add his perspective on this.

Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO

Yes. It's clear we've had underwhelming performance to say the least over the last few years in terms of cat activity and the impact of climate change, I think, is something that is still trying to be understood by the market in general. And then you've had examples of trapped collateral. And so I'd say that's somewhat slowed the inflow based on this recent history that we've seen. But look, today's losses, I think, make tomorrow's pricing. And so I see this as kind of a cycle that will work its way out as information becomes clearer, terms become better and the volatility starts to reduce as a result of that better information entering the models.
Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Mike, and I would finish up by saying this also creates an opportunity for rated carriers like us. The reality is there’s going to be a lot more demand for companies with the financial strength and the ratings like Everest to continue to write business going forward. So while there has been maybe more of a muted concern that we’re hearing on the other hand, it also presents an opportunity for us on the front end.

Michael Wayne Phillips - Morgan Stanley, Research Division - Equity Analyst

Okay. I appreciate that. My second and final question. Juan, you mentioned you’re still seeing pretty good pricing in Insurance ahead of loss trend. Can you say what you’re assuming on casualty loss trends in your pricing?

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Well, it’s typically not something that we have disclosed publicly. But what I can tell you, Mike, is that we review this on a quarterly basis. I think as Jim was basically talking about this is really part of the analysis that we do every day or every quarter.

And we true this up for everything that we’re seeing from the perspective of social inflation that we see from the perspective of what we’re seeing in wage inflation out there, et cetera, et cetera. And so we try to stay very much on top of that.

Operator

Your next question is from Ryan Tunis with Autonomous Research.

Ryan James Tunis - Autonomous Research LLP - Partner of Property & Casualty Insurance

First question, just thinking about your guidance for 7% cat load, the average cat load over the past 5 years has been 15%. I’m just curious, why you still think that’s a prudent best estimate?

Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO

Well so Ryan, it’s Mark answering here. So obviously, our cat budget and our cat planning exercise within the operating plan is modeled out based on expected losses. Clearly, there’s been substantial volatility over several of the years, not all of them. Last year was a bit more modest, actually below plan. The 7% is how it works out mechanically between Reinsurance and Insurance. Having said that, we have taken our cat portfolio and reduced its risk profile over the years since -- essentially since Harvey, Irma, Maria back in 2017. And so that derisking that we’ve taken has been quite conscious.

And alternatively, the group, and I think you saw this highlighted during the Investor Day is really expanding in other non-cat lines of business. So I would expect Everest going forward, whether it’s Reinsurance or Insurance to continue to deemphasize cat as a significant driver of premium and profit but it’s still a meaningful and attractive risk despite the volatility.

Ryan James Tunis - Autonomous Research LLP - Partner of Property & Casualty Insurance

Got it. And then sort of Reinsurance, it sounded like you didn’t have to change your loss picks because of the cash that didn’t meet the $10 million threshold. Should we think about that as a more likely outcome in the fourth quarter just given the pace of the activity we’ve seen year-to-date? Is there risk that there could be some loss pick change for Q based on the weather activity?
Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO

I just want to make sure I understand your question. Are you -- are you wondering if our Q3 events that were smaller in size are going to bleed into Q4? Or are you questioning what's happening in Q4?

Ryan James Tunis - Autonomous Research LLP - Partner of Property & Casualty Insurance

No. I mean, my understanding was that you guys have like a loss pick budget for those attritional-type losses. And I was wondering if maybe you have you haven't exceeded that yet, but maybe you were close to that...

Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO

Yes, yes. Okay. So look, in Q3, there were several other cat events globally. They were relatively small for us. I highlighted in my opening remarks that our cat threshold is $10 million. And so there were a few that fell underneath that, and those were easily absorbed into our Q3 attritional loss ratios. So I don't expect any development from there going into Q4.

Ryan James Tunis - Autonomous Research LLP - Partner of Property & Casualty Insurance

Got it. And then just wondering, I was curious about is from a reinsurance perspective with property cat treaty when you have a storm like Ida, I'm just looking for some perspective here. How many treaty claims do you have? Is it that most of that loss is in 5 claims? Or are we talking about 70 or 80 treaties or just directionally trying to understand when you get losses like this, how concentrated is that in individual cedents?

James A. Williamson - Everest Re Group, Ltd. - Executive VP, Group COO & Head of Reinsurance Division

Yes. Ryan, this is Jim Williamson. I mean, look, what I would say, if you're talking about an event like Ida, you're definitely going to see losses across a large number of scenes. I think that's to be expected. And then a bit of an obvious statement, but really big cedents who have larger exposures will drive a meaningful portion of the total loss. But this was a pretty broad event and particularly as it related to a major impact followed by a smaller flooding event, it's going to, I think, carry a fair number of cedents into loss activity.

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

The one thing that I would add to that, Ryan, is think about the geographic -- this is one Juan Andrade by the way. Think about the geographic scope of the storm, making impact in Louisiana, extending through the Mid-Atlantic and going up into the Northeast, all the way along the way. So you're going to have different actors, right? So you're going to have some regional cedents, particularly in the Gulf states. And then you have some of the national carriers, were impacted both in the Southeast as well as the Mid-Atlantic and the Northeast as well. So I would say it's a mixture of that basically.

Operator

Your next question is from Meyer Shields with KBW.

Meyer Shields - Keefe, Bruyette, & Woods, Inc., Research Division - MD

Small question and one bigger picture. A small question is, did the attritional loss ratios in either Reinsurance or Insurance include any adjustments to the first half of the year?
James A. Williamson - Everest Re Group, Ltd. - Executive VP, Group COO & Head of Reinsurance Division

Yes, Meyer, this is Jim Williamson. No, there were really no material adjustments related to activity that happened earlier in the year. It was really reflective of the third quarter activity.

Meyer Shields - Keefe, Bruyette, & Woods, Inc., Research Division - MD

Okay. Perfect. And I know we're all sort of focused on cat. So I want to ask the question in a slightly different way.

With S&P sort of rumbling that they're going to possibly increase capital requirements for cat because the industry might be underestimating it. And given the apparently high possibility of, call it, above average losses for the year. How important is it to the Everest strategy to write any property cat at all?

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes. So let me address that, Mark. I think that's a fundamental question. Look, we are in the property cat business. But we're also mindful that the external market conditions have changed over time. And they have changed for a number of reasons, right? You clearly have the impact of climate changes as we've discussed that has manifested. We certainly see the impact of the ILS market that basically, I think, has muted the size of the rate increases that you see post events like Ida into that market.

And so while we see this an attractive line of business, we also see better returns in other lines of business going forward. And it's part and parcel of the reason why we have been on this derisking journey that we have continued to talk about to essentially change the profile of our company.

So all of that is in our minds. We are students of the environment. We are students of the science. We're also very disciplined in how we look at our portfolio and how we allocate capital between lines of business. And this brings us full circle back to the question that Mike Zaremski asked earlier in the call, right? It's one of the reasons why you see us basically growing in the casualty lines of business at this point in time. So it's definitely part of the equation, it's definitely part of the strategy as we conceive our plan and we drive the company forward.

Operator

Your next question is from Brian Meredith with UBS.

Brian Robert Meredith - UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist

A couple of quick ones here. First one, I’m just curious, can you talk a little bit about how the current inflationary pressures that we're seeing economically impact your business and influence your loss picks? And then on top of that, maybe add a little bit on your view of the court inflation right now. Are you seeing any increase as courts reopen at all?

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes. Sure. Let me address that, Brian, and then I'll invite both Mark and Jim to also add their points of view on it. Look, I think it's important to recognize what inflation means to the industry versus what we see in the CPI index and the headline news that's out there. I think it's undeniable that we are in a period of inflationary pressure from a purely CPI perspective. You see it in our goods. You see the upsurge in demand, the restriction in supply that's going on up there. And you definitely see a part of that. And it's manifested in used car values and chips and all of these things that are out there basically.
From our perspective, we monitor from the asset and the liability side. On the liability side of our balance sheet, we're specifically focused on wage inflation, and also on health care inflation, the cost of medical care, basically. Those are critical things that we watch very carefully. Now your question on how that translates into how we think about loss picks, et cetera, is excellent because that is part of the analysis that we do on a quarterly basis.

When we're looking at our loss picks and frankly, when we're doing our bridging for future year plans and when we're doing our reserve studies, et cetera, we try to build in those inflationary pressures into our numbers. And it's one of the reasons why we keep pushing for pricing and why we believe that this pricing environment will continue for at least another year, if not longer, for the longer-tail classes of businesses. The other thing that's important to recognize is that also on the liability side, there are some mitigants in the book, right?

So if you think about exposure rated lines like general liability, workers' compensation, et cetera, those will rise also with the impact of inflation. And so there's some hedges that are built into that. But the primary hedge for us is how we look at our loss picks and how we do the analysis on a quarterly basis. When we look at the asset side of the balance sheet that's also how we position our portfolio to make sure that we're as fire proofed as possible and why we maintain the liquidity that. But let me ask Mark to add some commentary on the asset side, and then I'll invite Jim Williamson to talk a little bit more on the liability side.

Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO

Yes. So Brian, it's Mark. Look, on the asset side, this is something we think about because it's unclear how permanent or transitory, the inflationary pressure that we're seeing is going to be going forward. And so we've got our portfolio -- the asset portfolio positioned such that we think it can react reasonably well versus a high inflation environment. And so there's a high degree of liquidity as well that augments the kind of cash demands that you would have in a high-inflation scenario. We benefit from shorter-term asset duration and a relatively short duration on the liability portfolio plus a significant amount of assets in exposed to equities or floating rate debt, which should be somewhat immunized in a high-inflation environment.

The other piece that I'll add maybe before Jim steps in, is we have stressed the liability portfolio for different inflation scenarios and to see how it would perform in our ability to absorb it. And so that's something we do in addition to the reserving side, the assumptions, et cetera, is to see how it can perform in different types of environments.

James A. Williamson - Everest Re Group, Ltd. - Executive VP, Group COO & Head of Reinsurance Division

Yes, Brian, this is Jim Williamson. I'll just address the second part of your question related to any bounce back that we may be seeing in our data related to the reopening of courts and frankly, the reopening and growth in the economy. And I think there is a degree of bounce back occurring. We certainly see it in areas like liability frequencies. We see it in medical utilization. It's not a tremendous effect, but it's also, I think, feeds into the rationale for being very consistent in how we set loss picks and not over responding to some of the good news that has come through in our data. And you waited for that to mature so that some of these transitory items like a bounce back in activity have time to play themselves out, and that's very consistent with our approach around loss selection.

Brian Robert Meredith - UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist

Makes sense. And then my second question, Juan, you've talked about growing your insurance business internationally. I'm just curious, do you have the platform right now to actually really see some good growth there? Or are there some areas that you need to expand either organically or inorganically?

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes. No, I think it's a little bit of both. So we are very focused right now on the next step of our journey on the primary side of our business. I think we've done a very nice job growing it in the U.S. specifically over time. And we see significant overseas opportunity, right? The reality is that the
market is quite big, and it's also a diversifying opportunity. One of the things that you learn over time is that emerging markets and developed markets move at different rhythms.

And so when developed economies are down, emerging economies are up, and it's a good diversifying hedge from that perspective, in addition to the insurance market opportunity that's out there. Right now, we have a company out of Ireland that allows us to do business in the Continental Europe. We have our Lloyd's syndicate. And so we're able to utilize it as a platform for expansion in Europe and in the U.K.

When you start thinking about expansion into Latin America and Asia, you are thinking more of a greenfield-type opportunity at that point in time. And our plans are very much in motion right now to be able to grow that business organically. But it also goes back to the question that I was asked earlier in the call as to how does M&A potentially fit into all of this? And our strategy is organic, as I said, but we're also mindful of any opportunities that may help to accelerate our progress as we move forward.

Operator

Your next question is from Josh Shanker with Bank of America Securities.

Joshua David Shanker - BofA Securities, Research Division - MD

Growth obviously is very large in the insurance segment, particularly professional lines and specialty. But every line of business grew, including workers' comp, which you cited as being slightly below trend, I guess, in terms of performance.

And given what we're seeing pricing certainly isn't up yet in workers' comp. Can you talk a little bit about the growth in workers' comp, which wasn't tremendous, but it was still growth in a pricing environment that may not be particularly favorable.

Michael Karmilowicz - Everest Re Group, Ltd. - Executive VP and President & CEO of the Insurance Division

Sure, Josh. Thanks for the question. This is Mike Karmilowicz. Yes, the growth in comp is -- there's a big part of that, the exposure change that's coming from just the payrolls and obviously people going back to work. And then the other piece to keep in mind is a big part of our business that's been growing is in the loss ratable and that loss sense is loss ratable business on the risk management side. So we continue to do the same thing we talked about as being very disciplined around our monoline guaranteed cost comp. So again, most of that growth is just coming from specifically the overall exposure change?

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Yes. And I think, Josh, what I would add to that, again, is keep in mind what we've said in the past, not only have we deprioritized to growth in workers' compensation for what we've said and what you pointed out in your question. But within workers' compensation, our focus has really been more on the loss ratable risk management-type business where we can actually get better pricing than the monoline. And that's one of the reasons why in my prepared remarks, I emphasized the fact that while comp overall is now down to only 12% of the portfolio, monoline is down to only 7% of the portfolio, right? So it's important to understand that nuance within comp at the same time.

Joshua David Shanker - BofA Securities, Research Division - MD

And this is maybe a bit cheeky. But you raised the debt and you had Ida and you bought back stock. I know you said that your preference is to grow organically. But can you talk about when you bought the stock in the quarter? I mean maybe I'm trying to get a little sense of appetite more so. Was it after Ida? Was it before Ida? Was it after the capital raise? And I guess I'm looking for a little color there.
Mark Kociancic - Everest Re Group, Ltd. - Executive VP & Group CFO

Yes, both, before and after. So at the beginning of the quarter and also in September. And if I could just add a couple of points, we made it pretty clear during the Investor Day that we felt we could get a more efficient capital structure, and part of that is increasing the debt leverage of the company into a 15% to 20% range.

And when you look at the kind of print that we got, the 3.125 coupon, that’s very low long-term capital cost. So for us, the combination of issuing the debt and using that to fund future growth expansion is really a function of providing a lower cost of capital for that organic growth in line with, I think, what is a more conventional capital structure with something closer to 20% debt leverage.

I think the share buybacks, that’s really look, a function of our confidence in our business. I wouldn’t read too much else into it. The volatility that we had from the cats is something that we expect in this business. It was very much in our risk appetite. It never dissuaded us from any kind of capital management actions. And so we move forward here with a lot of confidence, and that was one of the points I was trying to make towards the end of my monologue regarding the affirmation of our plan, assumptions, the target and the path that we’re on.

We feel like there’s an excellent opportunity in front of us. We’re built for it. We’re executing. There’s a lot of momentum.

Joshua David Shanker - BofA Securities, Research Division - MD

Well, I appreciate all the clarity.

Operator

There are no further questions at this time. I will now turn the call back over to management for closing remarks.

Juan Carlos Andrade - Everest Re Group, Ltd. - President, CEO & Director

Thank you all for your questions and the excellent discussion today. I’ll wrap up today’s call by reiterating our confidence in our ability to continue fueling profitable growth, seizing the opportunities before us and advancing our strategy. The goals that we’ve outlined are ambitious, but we’ve already made material inroads on our path forward.

We’re making investments in our talent, our culture, in our capabilities because we believe those are the ones that will help us drive superior shareholder returns. I’m bullish about the future of Everest. Thank you for your time with us today and for your continued support of our company. I look forward to seeing you all again to discuss our fourth quarter and year-end results. Thank you.

Operator

This concludes today’s conference call. Thank you for participating. You may now disconnect.